The Islands Trust

Annual Report

2001—2002

2002—2003

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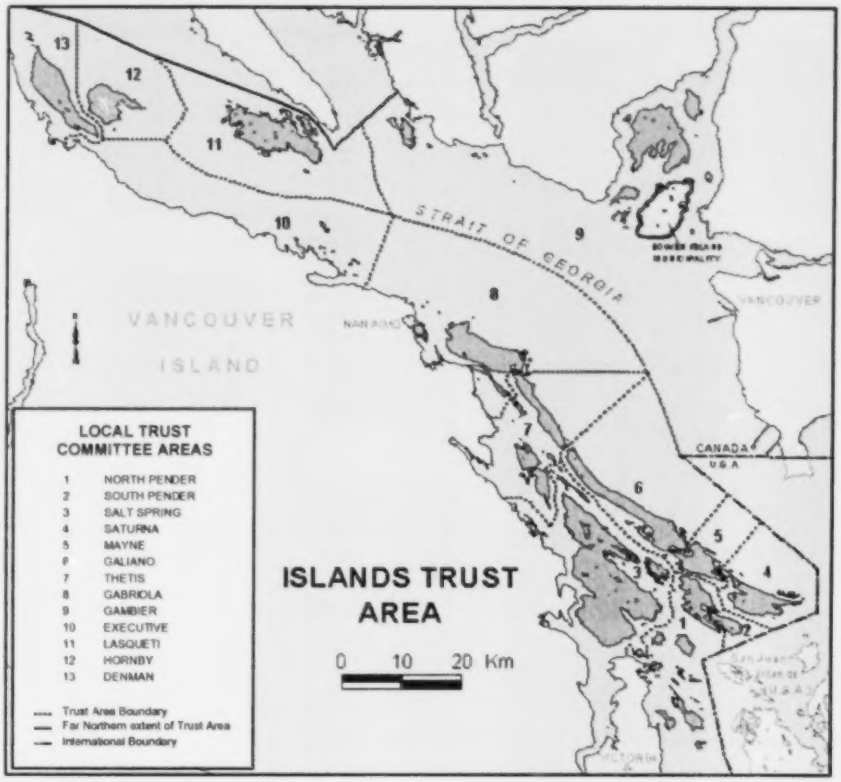
The Islands Trust Area

The Trust Area covers the islands and waters between the British Columbia mainland and southern Vancouver Island, including Howe Sound and as far north as Comox, with the exception of Texada Island. It is approximately 5200 square kilometres (2000 square miles) in size and has a resident population of approximately 23,000.



Located in the Strait of Georgia and Howe Sound, the Trust Area is a unique and special place – a scenic archipelago of 13 larger islands and more than 450 smaller ones. The area provides habitats for an exceptional variety of species: more than 200 types of migratory and resident birds, numerous species of fish and diverse marine and intertidal life, terrestrial wildlife and vegetation. Outstanding scenery and recreational resources include panoramic viewpoints, sheltered bays, protected marine waterways and anchorages that contribute to the location's beauty, appeal and tranquility.

The unique natural environment of the islands in the Strait of Georgia and Howe Sound has given the area national recognition. Realizing this, the government of British Columbia enacted special protective legislation entitled the *Islands Trust Act* in 1974. The Act states that the object of the Islands Trust is to "preserve and protect the Trust Area and its unique amenities and environment for the benefit of the residents of the Trust Area and of British Columbia generally, in cooperation with the municipalities, regional districts, improvement districts, other persons and organizations, and the government of British Columbia".

Message from the Chair

David Essig

In 2002, the Islands Trust Council made a commitment to pursue a major shift in the organizational culture of the Islands Trust, moving away from a strictly regulatory interpretation of the "preserve and protect" mandate, towards a more positive culture of encouragement and community leadership. Council decided to embrace the principles of sustainability and to seek balances between the values of the natural environment and the needs of human settlements on the Trust islands. We agreed that we needed to reach out more to our communities, to get our island citizens more involved in the work of the Trust, and to seek non-regulatory solutions to the issues that confront us.

Following the municipal elections of November 2002, thirteen new trustees joined the thirteen returning Trustees to form an Islands Trust Council that stands firmly behind the guiding principles of this new culture of the Islands Trust. At our inaugural meeting, we identified three strategic directions for the 2002-2005 term:

- **governance renewal:** an ongoing commitment to address the needs of our communities for better local government in the Islands Trust area;
- **island community sustainability:** a focus on bringing the principles of sustainability into our land use planning process and on gauging our success with a rigorous program of Sustainability Indicators measurement;
- **service delivery:** a continuing commitment to providing the best local planning services to our island communities, with a recognition that, under the *Islands Trust Act*, land use planning remains our core service function.

Our commitment to these strategic directions made us aware that our island communities need effective and efficient government services. We need to integrate local government services and find new ways to involve community members in community decisions and to strengthen the bonds between island communities and First Nations.

By continuing to focus on innovative and collaborative means to achieve the mandate of the Islands Trust, we strive to create a common vision of the Islands Trust Area while creating sustainable balances between natural and human communities that are unique to each island.

As part of our more open way of doing business, we now have "Town Hall" sessions at all of our Trust Council meetings and most of our Local Trust Committee meetings. Please come and join us in these informal discussions and share with us your ideas about how we can work better together to achieve your aspirations for our islands.

It has been an honour to lead the Islands Trust through this fundamental change in our culture and I look forward to our continuing work together to create a legacy of healthy natural environments and healthy communities for the future generations of Islanders and for all British Columbians.

David Essig
Chair

Message from
The Islands Trust Fund Board Chair

Louise Bell

It has been a pleasure to serve as Chairperson of the Trust Fund Board for the last two years. The conservation work undertaken by the Islands Trust Fund is critical to promoting the object of the Islands Trust.

Our focus for 2001-2003 included:

- acquisition of special places,
- communication about conservation,
- property and covenant management, and regional conservation mapping.

The success of our land acquisition and covenant program continued. We registered fifteen new conservation covenants (on Salt Spring, Denman, Galiano, and Sidney islands), protecting a multitude of habitats and significant ecosystems.

In addition, the Islands Trust Fund acquired the Lindsay-Dickson Nature Reserve on Denman Island through the efforts of the Denman Conservancy Association, as well as the Horton Bayviary Nature Reserve on Mayne Island, the Ruby Alton Nature Reserve on Salt Spring Island, and Loretta's Wood Nature Reserve on North Pender Island.

In partnership with the Galiano Conservancy Association and Habitat Acquisition Trust, the Islands Trust Fund completed the fundraising for Laughlin Lake on Galiano Island. The Islands Trust Fund received its largest grant to-date ($63,000) toward this conservation acquisition project from the Georgia Basin Ecosystem Initiative. The property will be held by the Galiano Conservancy Association and Islands Trust Fund and Habitat Acquisition Trust will hold conservation covenants on the property.

The Islands Trust Fund continued to reach out by producing the third and fourth editions of our annual newsletter, *The Heron*, by issuing regular press releases and articles, by visiting island fall fairs with our display, and by holding workshops on islands about conservation covenants.

Property management has become an increasingly important focus for the Islands Trust Fund. We prepared six management plans and continued to monitor all of our owned and covenanted lands.

The Islands Trust Fund also began an ambitious multi-year Regional Conservation Planning project, which will provide up-to-date mapping of both natural and human-modified landscapes, will determine the most significant areas for conservation, and will identify a variety of tools to protect significant areas.

This part of British Columbia has been described as "the Galapagos Islands of the north", and for good reason. Few areas in the world have so many special values within such a small area. I look forward to working with the Islands Trust Fund Board and our many partners next year to continue the protection of the Islands Trust Area's unique amenities and environment.

Louise Bell
Chair

Message from the Executive Director

Gordon McIntosh

Over the past few years, the Islands Trust has continued to implement strategies to enhance relationships and partnerships with First Nations, the province and island communities.

In order to enhance service delivery and meet island community needs, organizational changes have occurred, such as the new Northern Office. In addition, some organizational downsizing has occurred due to the incorporation of the Bowen Island Municipality.

Since the elections in 2002, the Islands Trust Council has adopted a strategic agenda that includes three main directions. The first Council direction has been the consideration of governance renewal options, such as taking on subdivision approval and First Nations protocols and cooperation strategies.

The second direction has focused on working with the province on projects to sustain the islands, such as Crown lands profiles and marine stewardship, and building partnerships with other agencies, such as Parks Canada and the San Juan County Commission. The Islands Trust Council has also initiated actions to enhance service delivery by decentralizing bylaw investigation services and focussing on the delivery of local planning services.

The Islands Trust continues to achieve the mandate of the Trust due to the dedication, passion and ongoing commitment of trustees, islanders, Islands Trust staff, and all those who help to steward the islands within the Trust Area.

Gordon McIntosh
Executive Director

Pebble Beach, Galiano Island

Organization & Responsibilities

The Islands Trust is comprised of sixteen distinct corporate entities - Trust Council, Executive Committee, thirteen local trust committees, and the Trust Fund Board. Bowen Island Municipality is also located within the Islands Trust Area. Two municipal trustees represent the Bowen Island Municipal Council on Trust Council. The Bowen Island Municipal Council has responsibilities related to the *Islands Trust Act*.

The Islands Trust Council

The twenty-six member Trust Council establishes general policies for carrying out the object of the Islands Trust and is responsible for the financial management of the Islands Trust except for the Trust Fund. It provides an operational budget to the Islands Trust Fund. The Trust Council appoints staff and auditors and adopts an annual budget. Tax levies on properties within the Trust Area are the primary funding source for the operations of the Islands Trust, along with a Provincial grant and development application fees.

The *Islands Trust Act* requires Trust Council to implement a Trust Policy Statement that is applicable to the whole Trust Area. The Minister of Community, Aboriginal and Women's Services must approve the Policy Statement before it is adopted. The Policy Statement clarifies the positions and policies of the Islands Trust and provides guidance for other jurisdictions and governments with authority in the Trust Area for the formulation of policies, bylaws and plans that carry out the object of the Islands Trust. The Policy Statement guides the more specific plans and policies developed at the local level and ensures those plans contribute to the implementation of the broader policies for the overall Trust Area.

Trust Council has three standing committees of trustees - Local Planning Committee, Trust Programs Committee, and Financial Planning Committee - to provide policy advice to Trust Council on Council's referrals and on committee initiatives.

Executive Committee

The Executive Committee is comprised of the Chair of the Islands Trust Council and three Vice-Chairs, who are elected for three-year terms by Trust Council from among its members. It carries out the daily business of the Islands Trust and reviews the bylaws of Local Trust Committees to ensure compliance with the Islands Trust object and Policy Statement. The Executive Committee also acts as a Local Trust Committee for that part of the Trust Area that is not included within any other Local Trust Area or Island Municipality.

Local Trust Committees/Island Municipalities

As indicated on the map on page one, there is a Local Trust Committee for each group of islands designated as a Local Trust Area under the *Islands Trust Act* and one Island Municipality for Bowen Island.

Lasqueti Island

Each Local Trust Committee has three members - two locally elected trustees and one Executive Committee member who serves as Chair. A Local Trust Committee is responsible for land use planning and regulation for its area of jurisdiction. Its responsibilities include preparation and adoption of Official Community Plans, Land Use Bylaws, zoning and subdivision bylaws, regulation of soil removal and deposit, and authorization of permits under Part 26 of the *Local Government Act*.

Bowen Island Municipality has a seven-member Council with broad municipal powers including land use planning. From the Municipal Council members, there are two Municipal Trustees elected to Trust Council by the community.

Local Trust Committees must submit their bylaws to the Executive Committee for approval before adoption. Island Municipalities must submit Official Community Plan bylaws to the Executive Committee before adoption. The Executive Committee also considers Island Municipality bylaws that refer to matters included in the Islands Trust Policy Statement. The *Islands Trust Act* and municipal letters patent establish procedures should the Executive Committee not approve a bylaw or consider it at variance to the Policy Statement.

Trust Fund Board

The Board of Trustees for the Islands Trust Fund is comprised of three trustees elected by Trust Council and up to three people appointed by the Minister of Community, Aboriginal and Women's Services. The Islands Trust Fund is a conservation land trust that can acquire and manage land for conservation, hold conservation covenants on private land and accept donations to help preserve places of natural significance or cultural value within the Trust Area.

Every five years, the Trust Fund Board prepares a Trust Fund Plan for approval by the Minister of Community, Aboriginal and Women's Services, which establishes policies regarding the operations of the Islands Trust Fund. Donations to the Islands Trust Fund help preserve and protect special places in the Trust Area. The Islands Trust Fund provides tax receipts for such gifts.

Gambier Island

Trustees of the Islands Trust

	2001/2002	2002/2003
Bowen Island Municipality	Ross Carter Peter Frinton	Doug Bowen Alison Morse
Denman Island Local Trust Area	Tom Babb Louise Bell	Tom Babb Louise Bell
Gabriola Island Local Trust Area	Gail Lund Gisele Rudischer	Sheila Malcolmson Gisele Rudischer
Galiano Island Local Trust Area	Margaret Griffiths Debbie Holmes	Sheila Anderson Louise Decario
Gambier Island Local Trust Area	Kim Benson Bob Gibson	Kim Benson Bob Gibson
Hornby Island Local Trust Area	Ron Emerson Tony Law	Penny Griggs Tony Law
Lasqueti Island Local Trust Area	Eric O'Higgins Tom Weinerth	Bronwyn Preece Rose Willow
Mayne Island Local Trust Area	Rosemary Bennett Richard Tamboline	Rosemary Bennett Jeanine Dodds
N. Pender Island Local Trust Area	Em Round Wayne Wright	Em Round Wayne Wright
Salt Spring Island Local Trust Area	David Borrowman Bev Byron	Eric Booth Kimberly Lineger
Saturna Island Local Trust Area	Tom Johnstone John Money	Brian Hollingshead Tom Johnstone
S. Pender Island Local Trust Area	John Henshaw John Rumble/ Alma Lightbody	John Henshaw Alma Lightbody
Thetis Island Local Trust Area	Bob Bingham David Essig	David Essig Gail O'Hara

Gulf Islands Ferry from Galiano Island

Executive Committee

	2001/2002	2002/2003
Chair	David Essig	David Essig
Vice-Chairs	Kim Benson David Borrowman John Money	Kim Benson Gisele Rudischer Wayne Wright

Trust Fund Board

	2001/2002	2002/2003
Chair	Louise Bell	Louise Bell
Members	Kim Benson Katherine Dunster* Tony Law Linda Nowlan* Susie Washington-Smyth*	Kim Benson Katherine Dunster* Tony Law Linda Nowlan*

*Ministerial appointee

Ecological Survey, Gouge Island

Islands Trust Legislative Structure

Local Trust Committees and Island Municipalities

Tufted Puffin

Accomplishments 2001– 2002

1. Islands Trust Highlights

Governance Highlights

Proposal for a New Governance Structure
Trust Council initiated discussions to consider a proposal for a new governance structure in the Trust Area with a goal to provide sustainable governance in B.C.'s Gulf Islands.

Review of Draft Letters Patent for Salt Spring Island
Trust Council reviewed the *Islands Trust Act* components of the draft letters patent prior to consideration by the Salt Spring Island community as part of the process leading to an island municipal incorporation referendum.

New Town Hall Sessions held at Trust Council
Members of the public were encouraged to participate in Trust Council's new "Town Hall" forum, added to the Trust Council agenda to promote two-way dialogue between island communities and members of Trust Council.

New Northern Office
Trust Council established a staffed office on Gabriola Island to provide local planning services for the northern part of the Trust Area.

Trust Area Highlights

Intervener Status in GSX Pipeline Project
Trust Council applied to intervene in the public hearing into the proposed GSX Canada Pipeline Project. The focus of Council's intervention was the provincial significance of the Islands Trust Area and the potential impacts of the pipeline on the environmental, social and economic interests of the southern Gulf Islands. The Trust attempted to ensure that the review process for the proposed sub-marine pipeline through the Trust Area considered island community concerns and the provincial-mandate of the Trust.

Program Launched to Measure Progress Towards Sustainability
Trust Council approved the initial phase of a new program to measure progress towards achieving the Islands Trust mandate and sustainable communities in the Islands Trust Area. As part of the "Measuring our Progress" program, Council participated in a workshop to review public suggestions about potential progress indicators.

Garry oak Meadow

Accomplishments 2001— 2002

Ground Water Protection
The Islands Trust Council agreed to advocate for legislation and pilot projects to enhance the protection of groundwater resources and the promotion of groundwater management strategies.

Local Planning Highlights

Salt Spring Island Celebrates a New Provincial Park
BC Parks and the Capital Regional District acquired land for a Provincial Park near Burgoyne Bay. The Province led a coalition of buyers to obtain 650 ha of land on Burgoyne Bay from the Texada Land Corporation. This latest park purchase is one outcome of the federal-provincial Pacific Marine Heritage Legacy Program, which foresees a system of national and provincial parks in BC's southern Gulf Islands.

Review of Potable Water Requirements in Land Use Bylaws
Local Trust Committees reviewed their Land Use Bylaws and the requirement for providing proof of potable water for subdivisions with lots on individual wells.

2. Executive Committee

In addition to Trust Council's priorities, the Executive Committee focused on the following topics during the year:

Communications Strategy - The Executive Committee initiated a Communications Strategy to provide information about Islands Trust programs and operations.

Provincial Liaison - The Executive Committee continued liaison with the province regarding various aspects of the Islands Trust mandate such as governance, natural area protection regulations, ground water protection and Crown land profiles. Highlights included meetings with the following:

Minister of Human Resources, Murray Coell, to discuss the Natural Area Protection Tax Exemption program, funding and island sustainability strategies;

Minister of Skills, Development and Labour, Graham Bruce, to discuss the Natural Area Protection Tax Exemption program and the Georgia Strait Crossing (GSX),

Minister of Finance, Gary Collins, to provide an overview of the Islands Trust Strategic agenda;

Minister of Community, Aboriginal and Women's Services, George Abbott, to

Tate Covenant, Salt Spring Island

discuss the Natural Area Protection Tax Exemption program, funding, governance renewal, strategic updates and the Islands Sustainability Strategy; and

Minister of Transportation, Judith Reid, to discuss island community needs and to ensure that the Ministry considers the Islands Trust mandate during the BC Ferries restructuring process.

3. Trust Council Advisory Committees

Local Planning Committee

Efficiency and Equity of Resource Allocation - The Committee endorsed an updated reporting format for Local Trust Committee work programs. The new format improved staff's ability to manage the flow of work among the Local Trust Committees.

Bowen Island Transition - The Committee monitored the transition of planning services to the new Bowen Island Municipality.

Mapping Standards - The Committee initiated the development of mapping standards for publishing Islands Trust mapping.

Associated Islands - Several Local Trust Committee areas have small, less populated islands with either very old or no official community plan or land use bylaws in place. The Committee monitored the creation of a new North Pender Associated Islands Official Community Plan.

Review of the Potable Water Policies & Regulations - The Committee conducted a review of Local Trust Committee Land Use Bylaws concerning the requirement for providing proof of potable water for subdivisions with lots on individual wells.

Trust Area Wide Issues - At the end of the year, the Committee reviewed the GSX pipeline-crossing proposal, Council's master fee schedule for development applications, and emerging legislation such as the Community Charter and the *Drinking Water Protection Act.*

Trust Programs Committee

Transborder Marine Stewardship Area - Trust Council established voluntary community marine stewardship initiatives on Galiano, Saturna and Hornby islands to enhance awareness of sensitive marine habitats. Advisory committees were established for each island to focus on voluntary stewardship actions that can

View from
Mt. Warburton - Pike

contribute to the protection of important components of the marine environment.

Natural Area Protection Tax Exemption for Voluntary Stewardship - The Gambier Island Local Trust Area was the first area in the Islands Trust designated as an area where Trust Council can issue partial tax exemption certificates to land owners who willingly covenant natural values and amenities on their land. The tax exemption program facilitates the protection of natural areas on private lands in the Trust Area and encourages voluntary stewardship to preserve natural areas.

Islands Trust Crown Lands Study - The Islands Trust and the Province amended the Public Lands Strategy program in response to the public consultation process with island communities in the fall of 2000. The new process will incorporate local knowledge into profiles of vacant Crown land in the Trust Area. Phase one will focus on Crown land on Hornby, Denman, Lasqueti and Galiano islands.

Financial Planning Committee

Financial Plan - Trust Council embarked on its first Five Year Financial Plan by examining and documenting economic, financial, social, and operational trends and preparing a five-year financial forecast of revenues and expenditures. The plan is updated on an annual basis to reflect the current year's operating needs. The requirement for a financial plan resulted from amendments made by the Provincial Government to the *Local Government Act.*

Budget Process Policy - A policy was developed to guide the annual budget process, and to incorporate appropriate communications with the Trust Fund Board and Island Municipalities.

Reserve Policy Review - Reserve policies were reviewed by the Committee and changes to the targets were subsequently approved by Trust Council. The Islands Trust has four reserves: General, Operating, Capital and Legal. These reserves are non-statutory, meaning that they are simply appropriations of surplus, and are not funded through the annual operating budget for specific purposes.

Bowen Planning Contract Transition - The Financial Planning Committee examined ways to mitigate the loss of revenue associated with the Bowen Island Municipality planning services contract.

4. Islands Trust Fund Board

The Trust Fund Board protected an additional 200 ha of significant island ecosystems land through three land donations and twelve conservation covenants with private landowners.

Trincomali Logged Regeneration Area

Accomplishments 2001— 2002

Lands Acquired & Protected by Trust Fund Board

Lindsay-Dickson Nature Reserve, Denman Island (52 ha)

Horton Bayviary Nature Reserve, Mayne Island (0.5 ha)

Ruby Alton Nature Reserve, Salt Spring Island (13 ha)

Conservation Covenants with Private Landowners

Green Frog Farm Covenant, Galiano Island (24 ha)

Longini Covenant, Galiano Island (8 ha)

Lot 31 Covenant, Salt Spring Island (67 ha)

Ruffed Grouse Ridge Covenant 1, Salt Spring Island (4.1 ha)

Ruffed Grouse Ridge Covenant 2, Salt Spring Island (7.4 ha)

Woodpecker Pond Covenant, Sidney Island (0.9 ha)

Windthrow Covenant, Sidney Island (26.6 ha)

Sunrise Covenant, Sidney Island (0.5 ha)

Sandbanks Covenant, Sidney Island (3 ha)

Kingfisher Pond Covenant, Sidney Island (1.4 ha)

Dragonfly Pond Covenant, Sidney Island (4.4 ha)

Burnt Snag Covenant, Sidney Island (6.8 ha)

Property Management

The Trust Fund Board prepared three management plans in 2001-2002 for properties that the Board holds or is involved with. These management plans guide the on-going protection and management of these sites.

Trincomali Nature Reserve, Galiano Island

Pebble Beach, Galiano Island

McFadden Creek Nature Sanctuary, Salt Spring Island

5. Local Trust Committees & Island Municipalities

Bowen Island Municipality

The Bowen Island Municipal Council initiated work on a new Land Use Bylaw for Bowen Island and the Snug Cove planning review process.

Cormorants

Accomplishments 2001– 2002

Denman Island Local Trust Committee
The Denman Island Local Trust Committee adopted a major amendment to the Denman Island Official Community Plan in August of 2001.

Gabriola Island Local Trust Committee
The processing of development applications, such as variance permits, subdivisions, and Crown lease referrals, occupied most of the Local Trust Committee's time. The committee also worked with the Snuneymuxw First Nation regarding its interests in land on Gabriola Island.

Galiano Island Local Trust Committee
The Galiano Island Local Trust Committee identified the Road Network Plan as a priority project as well as planning for forest lands on the island.

Gambier Island Local Trust Committee
The Gambier Island Local Trust Committee adopted the Gambier Island Official Community Plan in January of 2002. The Local Trust Committee revised the Keats Island Rural Land Use Bylaw and converted it into the new Official Community Plan and Land Use Bylaw format. The Local Trust Committee then adopted a new Keats Island Official Community Plan and Land Use Bylaw in November of 2002.

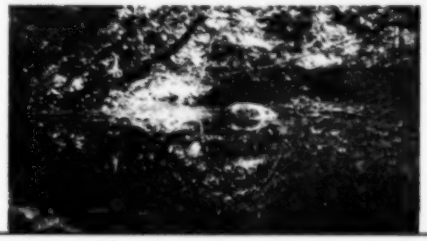
Hornby Island Local Trust Committee
Work continued on the Official Community Plan review.

Lasqueti Island Local Trust Committee
The Lasqueti Island Local Trust Committee reviewed the Lasqueti Island Rural Land Use Bylaw with a focus on developing a format consistent with standard bylaw requirements while maintaining current policies and regulations.

Mayne Island Local Trust Committee
The main priority areas for Mayne Island were application processing, review of drinking water guidelines, campground policies, a development permit area for the library site and Official Community Plan and Land Use Bylaw amendments (ecological zone, amenity zoning guidelines and transfer of development rights).

North Pender Island Local Trust Committee
The main priority areas were Land Use Bylaw amendments, major rezonings and the Associated Islands Official Community Plan and Land Use Bylaw review.

Salt Spring Island Local Trust Committee
The main priority areas were a water study, adoption of the Salt Spring Island Land Use Bylaw, a watershed protection initiative, the Piers Island Land Use Bylaw and the establishment of a development permit area for the preservation of Garry oak habitat.



Terminal Creek Covenant, North Pender Island

Accomplishments 2001– 2002

Saturna Island Local Trust Committee
The Saturna Island Local Trust Committee adopted the Saturna Island Official Community Plan in July of 2001 and started working on the Land Use Bylaw review.

South Pender Island Local Trust Committee
The priority areas have been the Official Community Plan, the Land Use Bylaw review and the Bedwell Harbour Subdivision and Servicing Bylaw.

Thetis Island Local Trust Committee
The priority areas for Thetis have been review and amendment of CVRD Bylaw No. 110 and the Ladysmith Harbour Islands Land Use Bylaw as well as review of the Thetis Island Official Community Plan and Land Use Bylaw.

Executive Islands
The Executive Committee initiated procedural bylaws to guide its actions as a Local Trust Committee for the "Executive" Islands.

ISLANDS TRUST

2003

Sustaining the Islands
Measuring Our Progress Report

The Islands Trust is seeking to maintain and enhance the unique ecosystems of the Trust Area, our vibrant communities and the quality of life on the islands, and to encourage sustainable economic development.

The Measuring Our Progress Program was established in September 2001 to provide an objective way of finding out how well we are doing in this effort. This program was developed to define success and sustainability in island communities more clearly. It allows everyone, including individuals, Local Trust Committees and other levels of government, to focus their actions and resources where they will do the most good.

We began by asking for suggestions from members of the public, trustees and staff of the Islands Trust for "indicators" of progress. Many valuable ideas and proposals were received. The 18 indicators included in this program were selected for their relationship to the Islands Trust Policy Statement, the balance of environmental, social, governance and economic information provided, the availability and quality of data, and the potential of this new information to affect results at the local level.

An indicator is simply a factor we can measure to provide objective information and clues about conditions and trends. A familiar example of an indicator is air temperature, which we can measure easily. While it doesn't give the whole picture, it can give us important information about the weather. In the same way, we can "take the temperature" or learn about the state of environmental, social and economic factors in our communities.

The following indicators of governance, social, economic and environmental sustainability were measured:

1. **Protected Areas**
2. **Groundwater Observation Wells**
3. **Greenspace**
4. **Stream Protection**
5. **Shellfish Harvesting Closures**
6. **Trends in Public Roads**
7. **Classification of Land Titles**
8. **Income Distribution**
9. **Economic Diversity & Dependency**
10. **Affordable Housing**
11. **Farm Lands & Receipts**
12. **Population**
13. **Education**
14. **Participation in Local Elections**
15. **Crime Rate**
16. **Scenic/Historic Roads**
17. **Formal Agreements with other Agencies**
18. **Formal Agreements with Non-governmental Organizations**

For individual Local Trust Area and Island Municipality reports, and the full *Measuring Our Progress* report, please contact the Islands Trust or visit our website at islandstrust.bc.ca

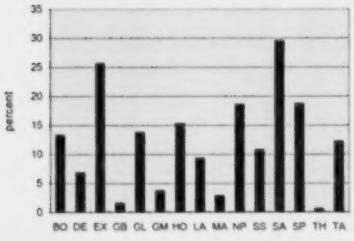
Seven of the eighteen indicators of sustainability examined for the Measuring Our Progress program are excerpted here.

Protected Areas

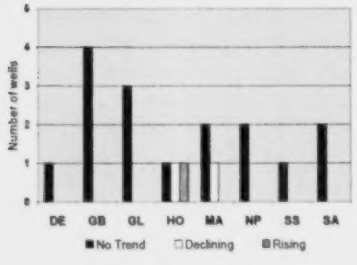
This indicator tells us how well we are protecting ecosystems and scenic areas, and compares the extent of protection in the Trust Area to the rest of British Columbia. This indicator measures the actual area of lands in the Trust Area that had a formal designation to protect them from development as of December 2001. Federal, provincial, regional and local parks, ecological reserves, lands held by conservancy organizations and Islands Trust Fund (ITF) lands are included.

By the end of 2001, 12.1% of the Trust Area had some form of official protection from development, compared to 11.6% provincially. This indicator varied by island, with 0.5% percent protected land in the Thetis Island Local Trust Area (LTA) to 29.5% protection in the Saturna Island LTA. The proportion of protected sensitive ecosystems (defined by the BC Conservation Data Centre) also varied. Between 1996 and 2001, the proportion of provincial parkland in the Trust Area increased 3.5%.

Protected Areas
Local Trust Areas 2001



Trends in Water Level in Groundwater Observation Wells
Local Trust Areas 1996-2001

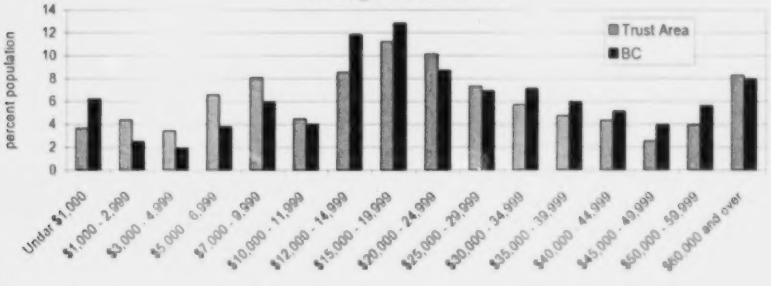


Groundwater Observation Wells

This indicator illustrates the proportion of groundwater observation wells in the Trust Area that had declining water levels between 1996 and 2001.

Data from 2001 shows that of the 19 groundwater observation wells maintained in the Trust Area by the Ministry of Water, Land and Air Protection, 10.5% showed declining water levels, 5.2% showed rising levels and 84.2% showed no particular trend. Not all islands have groundwater observation wells.

Islands Trust Area & British Columbia
Average 2000 Income



Economic Diversity & Dependence

This indictor illustrates the degree to which island economies are dependent on primary industries, such as forestry or mining. It also shows the degree of economic diversity, shown as a percentage of all economic activity. Information is included about the source of total income, unemployment rate and the degree of self-employment. Together with Indicator 8, (Income Distribution) this information gives insight into the economic situation of the Trust Area.

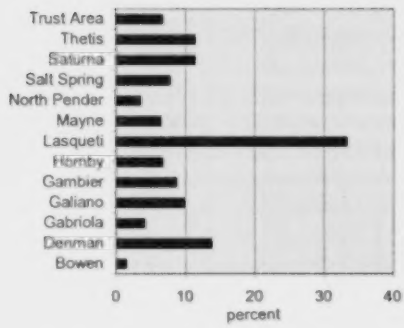
In 2001, the average sources of income in the Trust Area were: 55.8% from employment, 17.6% from government transfer payments and 26.6% from other sources such as pensions and investments.

2001 data shows that economic dependency on primary industry was lower than the provincial average, with 6.7% in the Trust Area, compared to 20% provincially. At 33.3%, the Lasqueti Island Local Trust Area had the highest dependency on primary industry in the Trust Area, and Bowen Island Municipality had the lowest dependence on primary industry at 1.4%.

The average unemployment rate in the Trust Area decreased from 8.7% in 1996 to 7.8% in 2001. The highest unemployment rate (14%) was found in the Saturna Island LTA and the lowest (4.6%) in the Bowen Island Municipality. The provincial average was 7.7% in 2001.

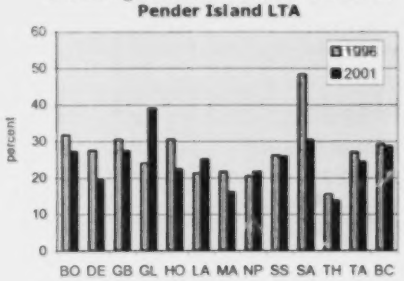
In 2001, 40.9% of Trust Area residents were self employed, compared to 14.5% of all British Columbians. In 2001, the highest proportion of self employed residents were found in the South Pender Island LTA (50%) and the Lasqueti Island LTA (52.8%) and the lowest in the Gambier Island LTA at 31.8%. *Source: Statistics Canada. 2001 Census of Canada, Islands Trust Area.*

Primary Industry Occupations Islands Trust Area 2001



One Family Households Spending More Than 30% of Income on Housing 1996-2001

Excluding Gambier Island LTA & South Pender Island LTA

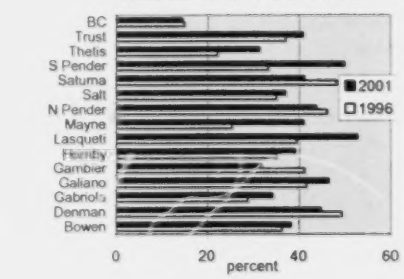


Affordable Housing

This indicator shows the percentage of one family households that pay 30% or more of their income on housing costs. This indicator includes information about the proportion of owned and rented dwellings and the average gross monthly rent of rented dwellings in 1996 and 2001

In 2001, 24.4% of households in the Trust Area were paying more than 30% of their income on housing, compared to 28.6% of households in BC. Families with unaffordable housing ranged from 16.1% in the Mayne Island LTA to 39% in the Galiano Island LTA. A high proportion of dwellings in the Trust Area are owned (79%) compared to 64% provincially.

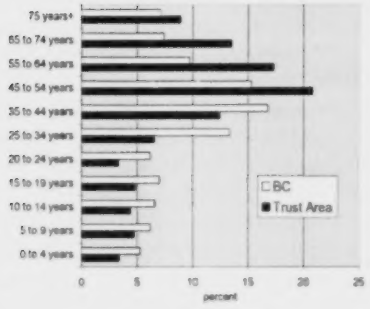
Self Employment 1996-2001 Islands Trust Area & BC



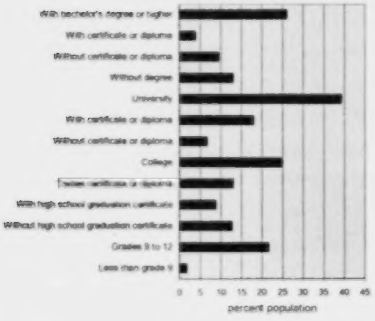
ISLANDS TRUST

Measuring Our Progress Report 2003

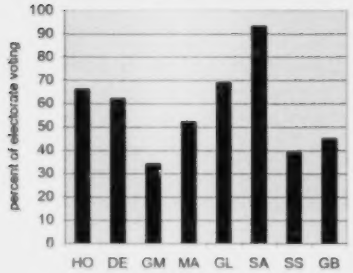
Islands Trust Area & BC
2001 Population



Education Level Attained
Islands Trust Area 2001



Participation in
Local Elections
Islands Trust Area 2002



Population

Population levels in 1991, 1996 and 2001 show the increase in Trust Area population over time. This indicator also shows the proportion of the Trust Area population that falls into various age and gender groups. It also shows the diversity of age and gender groups in the Trust Area compares with the diversity in the rest of the province.

The population of the Trust Area has increased from 20,215 in 1991 to 23,009 in 2001. This represents 12.1% growth over the ten-year period. In 2001, the population of the Trust Area included fewer people under 34 years of age than were found in the province as a whole. In 2001, there were more people above the age of 45 than were found in the province as a whole. In some islands, there were large gaps in some age groups. For example, some of the smaller island communities have almost no children or adolescents. *Source: Statistics Canada. Census of Canada, Islands Trust Area.*

Education

This indicator provides information about the degree of education of residents in the Trust Area.

In 2001, residents in the Trust Area were well educated in comparison with provincial averages. In the Trust Area, 39.2% of the population had some university education, with 26% attaining a bachelor's or advanced university degree. An average of 17.9% of the population received a college degree or diploma. *Source: Statistics Canada. 2001 Census of Canada, Islands Trust Area.*

Participation in Local Elections

This indicator tells us about the percentage of registered voters that votes in local elections. It gives an indication of the level of community involvement in local affairs and the willingness to participate in decision-making. Data are not available for all islands.

In 2002, the degree of participation in local elections varied widely across the Trust Area, from 34% in the Gambier Island Local Trust Area to 93% in the Saturna Island Local Trust Area. For comparison, in 2002, voter turnout in the Fraser Valley ranged from 38% in the Township of Langley, 37% in Abbotsford and 34% in Maple Ridge.

The Measuring Our Progress project is funded by the Islands Trust Council, with assistance provided by the Georgia Basin Ecosystem Initiative.

Sharp-tailed snake

Accomplishments 2002– 2003

1. Islands Trust Highlights

Governance Highlights

Trust Area Governance Renewal - Trust Council considered how a new form of governance could respond to the sustainability needs of island communities. Trustees evaluated guiding principles for the further exploration of governance reform options that would better meet the needs of island communities and the legislated object of the Islands Trust.

First Nations Treaty Principles - Trust Council determined key aspects of the Trust mandate to consider in First Nations Treaty processes.

Islands Trust Community Stewardship Awards – Trust Council determined the recipients of the 2002 Community Awards from the sixteen nominations received. The awards for Ecosystem and Resource Stewardship went to Maureen Milburn, of the Salt Spring Island Conservancy, for her work on the Maxwell Lake Watershed Covenant and to the Island Wildlife Natural Care Centre on Salt Spring Island. The Sustainable Community Development award went to the Trincomali Improvement District of North Pender Island for its work with a sustainable water supply system.

Trust Area Highlights

National Park and Marine Conservation Area – The Islands Trust applauded Prime Minister Jean Chretien's announcement confirming the creation of a National Park Reserve and initiating a feasibility study for a National Marine Conservation Area in the southern part of the Islands Trust Area. The Gulf Islands National Park Reserve is to be approximately 26 square kilometres in size and comprised of several individual parcels on fourteen islands in the southern Gulf Islands.

GSX Pipeline Project Hearing - Chair David Essig made a presentation to the Joint Review Panel regarding the proposed natural gas pipeline through the Trust Area.

Islands Trust Responds to the Working Forest Initiative - Trust Council submitted a formal response to the Province's Working Forest Initiative Discussion Paper. It requested that Crown lands in the Trust Area not be included in the land base for the proposed Working Forest.

Aquaculture in the Trust Area - Islands Trust initiated discussions with the Province to ensure sustainable shellfish management plans and operations in the Trust Area.

Sandstone galleries

Accomplishments 2002– 2003

Natural Area Protection Tax Exemption - Trust Council introduced the Natural Area Tax Exemption Program as a pilot project in the Gambier Island Local Trust Area. Trust Council can issue property tax exemption certificates to land owners within the Gambier Island Local Trust Area who voluntarily protect natural, historical and recreational features of their property with conservation covenants.

Sustainability Indicators - Trust Council received a draft report showing the preliminary results of the 'Measuring our Progress' program.

Ground Water Protection - Trust Council supported a Hornby Island Groundwater Protection pilot project to enhance the protection of groundwater resources and the promotion of groundwater management strategies on Hornby Island.

Local Planning Highlights

Island Community Sustainability Strategies - Trust Council reviewed a proposed process for the development of Island Sustainability Strategies to promote a balanced approach to environmental and social aspects of island life. Council considered a Sustainable Island Communities framework to complement current land use plans with strategies to integrate economic, social and environmental aspects of healthy island communities.

Islands Trust and Hul'qumi'num Treaty Group - Staff and Trustees from the Islands Trust met with the Hul'qumi'num Treaty Group in Ladysmith to discuss matters of common interest and concern. The Hul'qumi'num Treaty Group traditional area includes Galiano, Mayne, North Pender, Salt Spring, Saturna, South Pender and Thetis islands, along with the southern part of Gabriola Island.

2. Executive Committee

In addition to priorities of the Trust Council, the Executive Committee focused on the following topics during the year:

Strategic Priorities Update - The Executive Committee presented a strategic agenda focused on governance renewal, island community sustainability, public communications and service delivery.

External Communications - The Executive Committee initiated an External Communications Action Plan to ensure that Islands Trust is able to provide information about the Trust Area that is useful and timely.

Ruby Alton Nature Reserve, Salt Spring Island

Accomplishments 2002– 2003

Executive Committee liaison highlights included meetings with the following:

Minister of Energy and Mines, Richard Neufeld, to discuss the exploration and development of offshore gas, the Vancouver Island Generation Project and alternate energy sources; and

Minister of Community, Aboriginal and Women's Services, George Abbott, to discuss islands sustainability programs and Trust Area Governance Renewal.

3. Trust Council Advisory Committees

Local Planning Committee

Bylaw Enforcement Approach - The Local Planning Committee of Council facilitated a discussion about the current bylaw practises and future directions for the investigation and enforcement of land use bylaws.

Land Use Planning Review - The Committee continued to monitor the coordination of the Official Community Plan and Land Use Bylaw review program.

Efficiency and Equity of Resource Allocation - The Committee continued to monitor planning teams work program implementation.

Review of the Potable Water Policies & Regulations - The Committee requested that Trust Council consider a request to ensure that Local Trust Committees modify their land use bylaws to eliminate the need to prove potable water for subdivisions on individual wells.

Fee Bylaw Revisions - The Committee considered fee bylaw revisions to the Hornby Island and Lasqueti Island Local Trust Committee Fees Bylaws.

Short Term Vacation Rental Accommodations - The Committee completed its agenda in May 2002 with a review of options for short-term vacation rental accommodations.

New Northern Office - The Committee provided input into the development of a new staff office on Gabriola Island.

Trust Programs Committee

Marine Stewardship Site Initiative - The Committee supported voluntary community marine stewardship initiatives on Galiano, Saturna and Hornby islands to

Ruby Alton Nature Reserve, Salt Spring Island

enhance awareness of sensitive marine habitats. Local advisory committees worked on local marine stewardship strategies and activities such as marine water quality issues, inter-agency discussions, community information sharing sessions, whale watching networks, Shorekeepers Marine Monitoring Programs and the creation of a Saturna Island Marine Atlas.

Islands Trust Crown Lands Profiles - Islands Trust staff, the Hornby Island Local Trust Committee and islanders reviewed the Hornby Island Vacant Crown Land Profiles. Staff initiated the Denman Island Vacant Crown Land Profiles in March 2003.

Financial Planning Committee

Provincial Funding Framework - Following consultation with the Ministry of Community, Aboriginal and Women's Services with regard to provincial funding reductions, management presented a negotiated funding reduction strategy to Trust Council. The strategy called for reductions of $58,000 over four years, stabilizing thereafter at $120,000. This final amount is considered by the Ministry to be equitable with other similar sized local governments across the province. In 1991, the provincial grant was $494,145 and previous reductions over the past decade brought the grant to $352,000 before the current strategy came into place.

Financial Plan Update - Trust Council embarked on its second year of long-term financial planning, and addressed the conclusion of its planning services contract with Bowen Island Municipality. Trust Council approved a budget that was approximately $47,000 less than the previous year, but which retained essential planning service levels.

Victoria Office Renovation Plan - A proposal to renovate the Victoria office was considered and approved by Trust Council. The office had not been renovated since it was first occupied over 10 years ago. Staff were involved throughout a process that considered downsizing of the office, along with improvements such as carpeting, painting, and some structural changes to comply with building regulations.

4. Islands Trust Fund Board

The Trust Fund Board protected an additional 60 hectares of significant habitat through one land donation (approximately 40 ha) and four conservation covenants and raised $71,000 for conservation acquisition projects in the Trust Area.

North Pender Island

Accomplishments 2002– 2003

Lands Acquired & Protected by Trust Fund Board

Loretta's Wood Nature Reserve, North Pender Island (40 ha)

Conservation Covenants with Private Landowners

Winter Wren Covenant, Denman Island (2.5 ha)
Keough Covenant, Salt Spring Island (0.7 ha)
Weston Covenant, Salt Spring Island (0.3 ha)
Williams Covenant, Salt Spring Island (20 ha)

Property Management

During the 2002-2003 fiscal year, the Board prepared three management plans for Islands Trust Fund nature reserves. These Management Plans guide the on-going protection and management of the sites.

Horton Bayviary Nature Reserve, Mayne Island
Ruby Alton Nature Reserve, Salt Spring Island
Lindsay Dickson Nature Reserve, Denman Island

5. Local Trust Committees and Island Municipalities

Bowen Island Municipality
The Bowen Island Municipal Council adopted the Bowen Island Land Use Bylaw in September of 2002. The Islands Trust contract to provide local planning services to Bowen Island Municipality concluded on December 31, 2002. The Municipality now provides its own local planning services.

Denman Island Local Trust Committee
The Denman Island Local Trust Committee adopted a new Land Use Bylaw in July of 2002. The Local Trust Committee also initiated a review of the marine policies in the Official Community Plan in cooperation with the Ministry of Sustainable Resource Management and the Ministry of Agriculture, Food and Fisheries.

Gabriola Island Local Trust Committee
Day-to-day applications and referrals dominated the Gabriola work program. The

McIntyre Covenant, Bowen Island

Accomplishments 2002– 2003

Local Trust Committee has been working with the Snuneymuxw First Nations who have land claims on Gabriola Island. Work began in 2003 to review home occupation regulations.

Galiano Island Local Trust Committee
A new Land Use Bylaw map was prepared and reviewed by the community and work continued on the preparation of a Road Network Plan. The Local Trust Committee initiated the Forest Land Initiative to facilitate implementation of the objectives and policies for Galiano's forest lands.

Gambier Island Local Trust Committee
The Gambier Island Land Use Bylaw was under review in 2003.

Hornby Island Local Trust Committee
The Hornby Island Local Trust Committee adopted a new Official Community Plan in June of 2003 and initiated the drafting of a new Land Use Bylaw.

Lasqueti Island Local Trust Committee
A review of the Rural Land Use Bylaw began in 2003.

Mayne Island Local Trust Committee
The Mayne Island Local Trust Committee initiated a review of amendments to the Mayne Island Land Use Bylaw. Planning priorities included the review of policies regarding campgrounds, visitor accommodations and an OCP Parks policy.

North Pender Island Local Trust Committee
The public reviewed the draft North Pender Island Associated Islands Official Community Plan. The Local Trust Committee initiated zoning amendments for Sidney Island.

Salt Spring Island Local Trust Committee
Planning priorities in 2002 included vacation rentals, the Piers Island Land Use Bylaw, and a water supply study with the North Salt Spring Waterworks District. The Salt Spring Island OCP Review, affordable housing and water stewardship were priority areas identified for the spring of 2003.

Saturna Island Local Trust Committee
The Local Trust Committee continued with the public review of the Saturna Island Land Use Bylaw and gave the bylaw first reading in March of 2003.

South Pender Island Local Trust Committee
The Local Trust Committee completed a working draft of the Land Use Bylaw for public review.

McFadden Creek Heronry, Salt Spring Island

Accomplishments 2002– 2003

Thetis Island Local Trust Committee
The Thetis Island Official Community Plan review was the main priority. Other priority areas have been the Ladysmith Harbour Islands Land Use Bylaw, the Associated Islands Comprehensive Bylaw, density transfer Official Community Plan policy review and the deletion of proof of potable water requirement from subdivision regulations.

Executive Islands
Finalization of procedural bylaws were a priority for this part of the Trust Area.

Appendix I

Audited Financial Statements of

THE ISLANDS TRUST

Year ended March 31, 2002

FINANCIAL REPORTING RESPONSIBILITY

The accompanying statements of The Islands Trust (the "Trust") are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The Trust's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Trust Council, acting through its Financial Planning and Audit Committees, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Trust Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the Trust have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to the integrity of the financial reporting process.

_____

Executive Director

kpmg

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT TO THE TRUSTEES OF THE ISLANDS TRUST

We have audited the consolidated statement of financial position of The Islands Trust as at March 31, 2002 and the consolidated statements of financial activities and fund balances and changes in financial position and the related statements of financial activities and fund balance for the general revenue and capital funds for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 10, 2002

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — STATEMENT A

March 31, 2002, with comparative figures for 2001

	2002	2001
Financial Assets		
Cash and short-term investments (note 2)	$ 1,734,131	$ 1,573,828
Accounts receivable	63,046	73,509
Prepaid expenses	18,566	17,627
	1,815,743	1,664,964
Liabilities		
Accounts payable and accrued liabilities	776,388	679,474
Unearned revenue	9,985	6,387
Employee benefit obligations (note 3)	113,192	104,172
	899,565	790,033
Net financial assets	916,178	874,931
Physical assets (note 4)	574,306	473,020
Total net financial assets and physical assets	$ 1,490,484	$ 1,347,951
Islands Trust Position		
Capital Fund and equity in capital assets (Statement E)	$ 574,306	$ 473,020
General Revenue Fund (Statement D) (note 5)	916,178	874,931
Total Islands Trust position	$ 1,490,484	$ 1,347,951

Commitments (note 7)
Contingent liabilities (note 9)

See accompanying notes to financial statements.

Approved by the Trust Council:

_____ Trustee

_____ Trustee

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES

STATEMENT B

Year ended March 31, 2002, with comparative figures for 2001

	Actual 2002	Budget 2002	Actual 2001
Revenue:			
Property tax - general	$ 2,849,969	$ 2,849,969	$ 2,685,674
Property tax levy - Bowen municipality	77,829	77,829	67,765
Planning contract - Bowen municipality	350,671	350,671	338,087
Provincial grant	352,000	352,000	352,000
Community planning grants	5,212	-	35,943
Fees and sales	126,020	120,000	95,294
Interest and other	83,278	63,000	212,745
	3,844,979	3,813,469	3,787,508
Expenditure (note 6):			
Council services	773,306	795,423	978,535
Local services	2,690,101	2,696,617	2,485,823
Trust Fund services	340,325	341,920	318,516
	3,803,732	3,833,960	3,782,874
Excess of revenue over expenditure	41,247	(20,491)	4,634
Fund balances, beginning of year	1,347,951	1,268,378	1,293,608
Asset acquisitions	117,311	91,500	108,135
Asset disposals	(16,025)	-	(58,426)
Fund balances, end of year	$ 1,490,484	$ 1,339,387	$ 1,347,951

See accompanying notes to financial statements.

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION — STATEMENT C

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditure	$ 41,247	$ 4,634
Increase in net financial assets other than cash	119,056	317,054
Increase in cash	160,303	321,688
Cash and short-term investments, beginning of year	1,573,828	1,252,140
Cash and short-term investments, end of year	$ 1,734,131	$ 1,573,828

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE
GENERAL REVENUE FUND

STATEMENT D

Year ended March 31, 2002, with comparative figures for 2001

	Actual 2002	Budget 2002	Actual 2001
Revenue:			
Property tax - general	$ 2,849,969	$ 2,849,969	$ 2,685,674
Property tax levy - Bowen municipality	77,829	77,829	67,765
Planning contract - Bowen municipality	350,671	350,671	338,087
Provincial grant	352,000	352,000	352,000
Community planning grants	5,212	-	35,943
Fees and sales	126,020	120,000	95,294
Interest and other	83,278	63,000	212,745
	3,844,979	3,813,469	3,787,508
Expenditure:			
Council services	749,469	776,440	950,563
Local services	2,607,123	2,632,260	2,414,765
Trust Fund services	329,829	333,760	309,411
	3,686,421	3,742,460	3,674,739
Excess of revenue over expenditure	158,558	71,009	112,769
Net transfers to Capital Fund	(117,311)	(91,500)	(108,135)
Change in fund balance	41,247	(20,491)	4,634
Fund balance, beginning of year	874,931	736,932	870,297
Fund balance, end of year (note 5)	$ 916,178	$ 716,441	$ 874,931

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE
CAPITAL FUND

STATEMENT E

Year ended March 31, 2002, with comparative figures for 2001

	Actual 2002	Budget 2002	Actual 2001
Expenditure:			
Council Services	$ 23,837	$ 18,983	$ 27,972
Local Services	82,978	64,357	71,058
Trust Fund Services	10,496	8,160	9,105
	117,311	91,500	108,135
Deficiency	(117,311)	(91,500)	(108,135)
Net transfers from Revenue Fund	117,311	91,500	108,135
Change in fund balance	-	-	-
Fund balance, beginning of year	473,020	473,020	423,311
Asset acquisitions	117,311	91,500	108,135
Asset disposals	(16,025)	-	(58,426)
Fund balance, end of year	$ 574,306	$ 564,520	$ 473,020

See accompanying notes to financial statements.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2002

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

For financial reporting purposes, the Trust and The Islands Trust Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

1. Significant accounting policies:

The financial statements of the Trust are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Trust are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity.

Inter-departmental balances and organizational transactions are eliminated.

(b) Basis of accounting:

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting:

Funds within the financial statements consist of the general revenue and capital fund. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Short-term investments:

Short-term investments are recorded at cost.

(e) Physical assets:

Physical assets, comprised of capital asses and leasehold improvements are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time they are received. Physical assets are recorded at cost.

The Trust does not reflect amortization of physical assets in the financial statements.

1. Significant accounting policies (continued):

(f) Community planning grants:

Planning grant revenue is recorded on the accrual basis to match the grant revenue against the related expenditures.

(g) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(h) Reserves:

The reserve accounts (note 5) are non-statutory reserves established at the discretion of the Trust Council.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates.

(j) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

2. Cash and short-term investments:

	2002	2001
Bank account balances	$ 28,267	$ 85,226
Term investments	1,696,000	1,475,475
Cash restricted for pre-retirement leave	9,864	13,127
	$ 1,734,131	$ 1,573,828

3. Employee benefit obligations:

	2002	2001
Vacation	$ 75,546	$ 70,697
Compensatory time off	27,782	20,348
Pre-retirement leave plan	9,864	13,127
	$ 113,192	$ 104,172

3. Employee benefit obligations (continued):

Employee benefit obligations represent accrued benefits as at March 31, 2002.

Included in employee benefit obligations is a pre-retirement leave plan, which was transferred to the Trust by the Superannuation Commission of the Province of British Columbia. Management considers the assets of the plan to be adequate to cover its obligations.

4. Physical assets:

	2002	2001
Office furniture and equipment	$ 555,484	$ 459,106
Denman Island Old School Site	10,000	10,000
Leasehold improvements	8,822	3,914
	$ 574,306	$ 473,020

Denman Island Old School Site:

In 1993/94 the Denman Island Old School Site was sold to the Trust for $10,000, which was donated by the Denman Island Ratepayers' Association who, in turn, leased the building from the Trust for 99 years for a total fee of $10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association and to hold title to the property on behalf of the community.

5. General Revenue Fund:

The General Revenue Fund balance has been appropriated by resolution of Council as follows:

	Beginning balance	Transfers and Appropriations	2002 Excess of revenue over expenditure	Ending Balance
Unappropriated balance:				
Surplus	$ 112,589	(61,478)	41,247	92,358
Appropriated balance reserve accounts:				
Working Capital Fund	146,000	36,000	-	182,000
Future expenditures	234,712	(14,522)	-	220,190
Capital acquisitions	100,000	40,000	-	140,000
Legal expenditures	281,630	-	-	281,630
	762,342	61,478	-	823,820
General Revenue Fund balance	$ 874,931	-	41,247	916,178

During the year, the Trust budgeted an amount of $20,491 (2000: $25,230) as an appropriation of surplus for operations.

6. Expenditures by object:

	2002	2001
Salaries and benefits	$ 2,274,338	$ 2,091,483
Travel/training and recruitment	143,034	167,873
Council and trustee costs	412,519	410,862
Office operations	426,293	494,949
Programs	183,446	215,561
Legal and elections	246,791	294,011
Equipment	117,311	108,135
	$ 3,803,732	$ 3,782,874

7. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

	Premises	Equipment
2002	$ 210,206	$ 13,430
2003	179,384	7,934
2004	174,865	7,934
2005	152,268	7,934
2006	-	-

8. Pension plan:

The Trust and its employees contribute to the Public Service Pension Plan together with other public service employers in accordance with the Pension (Public Service) Act. The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the Act applies. Details of the Plan are provided in the Public Accounts of British Columbia. The long-term funding of the Plan is based on the level contribution method. Using this method, employer contribution rates are set so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability (UAL) for funding purposes as a constant percentage of employer payroll. The actuary does not attribute portions of the UAL to individual employers. Contributions to the Plan are expensed in the year when payments are made.

The Public Service Pension Plan has more than 57,000 active contributors from 28 employers. The actuarial valuation report for March 31, 1999 disclosed an actuarial surplus in the Plan. The next valuation will be undertaken as at March 31, 2002.

9. Contingent liabilities:

At March 31, 2002, the Trust is a defendant in various legal actions. The Trust's solicitors have identified and quantified one claim, which is recorded in these financial statements. The remaining legal actions, should they be successful, will be recorded when liability is likely and determinable.

Audited Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2002

kpmg

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of The Islands Trust Fund as at March 31, 2002 and statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2002 and the results of its operations and the changes in its fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 10, 2002

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2002

The Islands Trust (the "Trust") is incorporated under the Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

The Islands Trust Fund (the "Trust Fund") is empowered to accept donations, grants, bequests, etc. and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community, Aboriginal and Women's Services.

For financial reporting purposes, the Trust and the Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balances of the Trust Fund.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Fund accounting:

The Trust Fund follows the restricted fund method of accounting for contributions.

The General Fund reports unrestricted resources.

The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Fund's capital assets.

The Endowment Fund reports resources that are contributed for endowment purposes.

The Restricted Fund reports the assets, liabilities, revenue and expenditures related to internally and externally restricted assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

(c) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recognized in the Restricted Fund. Interest Income of internally restricted funds is recognized as revenue of the Restricted Fund. Other interest income is recognized as revenue of the General Fund when earned.

All other forms of income are recognized as revenue of the General Fund when received or receivable.

(d) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Donations of land:

One property was donated to the Capital Fund during the fiscal year:

Horton Baviary Nature Reserve, Mayne Island (February 2002).

3. General Fund balances:

	2002	2001
Unrestricted surplus	$ 29,786	$ 15,573

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2002

4. Investment in land:

	Acquisition date	2002	2001
Properties owned:			
Inner Island Nature Reserve, Denman Island	1992	$ 70,000	$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Marsh, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Lasqueti Nature Reserve, Lasqueti Island	1997	195,497	195,497
Cates Hill Nature Reserve, Bowen Island	1999	157,000	157,000
Trincomali Nature Sanctuary, Galiano Island	2001	242,406	242,406
Horton Bayviary Nature Reserve, Mayne Island	2002	210,000	-
		$ 2,255,903	$ 2,045,903

5. Restricted Fund balances:

	2002	2001
Internally restricted:		
South and West Salt Spring Conservation	$ 1,553	$ 1,527
McFadden property	13,864	13,500
South Winchelsea (transferred to General Fund)	-	7,586
Special Places (transferred to General Fund)	-	2,040
	15,417	24,653
Externally restricted:		
Alton Nature Reserve - earnings on endowment	1,000	-
	$ 16,417	$ 24,653

6. Restricted for endowment purposes:

	Acquisition date	2002	2001
Alton Nature Reserve - maintenance		$ 88,000	$ -
Alton Nature Reserve, Salt Spring Island	2002	454,000	-
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	-
		2,654,000	-
		$ 2,742,000	$ -

7. Program expenses:

The annual program expenses for the Trust Fund are funded by and reported as part of the Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

	2002	2001
Programs	$ 250,461	$ 219,436
Board	14,566	19,384
Administration	75,298	79,696
	$ 340,325	$ 318,516

8. Contingent liability:

Two properties owned by the Trust Fund Board, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve, and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2002, with comparative figures for 2001

	General Fund	Restricted Fund	Capital Fund	Endowment Fund	2002 Total	2001 Total
Assets						
Cash (note 3)	$ 29,786	$ 16,417	$ -	$ 88,000	$ 134,203	$ 40,226
Land (notes 4 and 6)	-	-	2,255,903	2,654,000	4,909,903	2,045,903
	$ 29,786	$ 16,417	$ 2,255,903	$ 2,742,000	$ 5,044,106	$ 2,086,129
Fund Balances						
Unrestricted (note 3)	$ 29,786	$ -	$ -	$ -	$ 29,786	$ 15,573
Investment in land	-	-	2,255,903	-	2,255,903	2,045,903
Internally restricted (note 5)	-	15,417	-	-	15,417	24,653
Externally restricted (note 5)	-	1,000	-	-	1,000	-
Restricted for endowment purposes (note 6)	-	-	-	2,742,000	2,742,000	-
Contingent liability (note 8)						
	$ 29,786	$ 16,417	$ 2,255,903	$ 2,742,000	$ 5,044,106	$ 2,086,129

See accompanying notes to financial statements.

Approved by the Trust Fund's Board:

_____ Board member

_____ Board member

THE ISLANDS TRUST FUND

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2002, with comparative figures for 2001

	General Fund	Restricted Fund	Capital Fund	Endowment Fund	2002 Total	2001 Total
Revenue:						
Donations in cash	$ 4,298	$ -	-	$ -	$ 4,298	$ 10,496
Donations of land (note 2)	-	-	210,000	-	210,000	242,406
Investment income	289	1,405	-	-	1,694	1,725
	4,587	1,405	210,000	-	215,992	254,627
Expenditures:						
Bank charge	15	-	-	-	15	-
Other	-	-	-	-	-	1,703
	15	-	-	-	15	1,703
Excess of revenue over expenditures	4,572	1,405	210,000	-	215,977	252,924
Endowment contributions	-	-	-	2,742,000	2,742,000	-
Internally Restricted Funds transferred to General Fund (note 5)	9,626	(9,626)	-	-	-	-
Fund balances, beginning of year	15,588	24,638	2,045,903	-	2,086,129	1,833,205
Fund balances, end of year (notes 3, 4, 5 and 6)	$ 29,786	$ 16,417	$ 2,255,903	$ 2,742,000	$ 5,044,106	$ 2,086,129

See accompanying notes to financial statements,

Appendix II

Audited Financial Statements of

THE ISLANDS TRUST

Year ended March 31, 2003

FINANCIAL REPORTING RESPONSIBILITY

The accompanying statements of The Islands Trust (the "Trust") are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The Trust's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Trust Council, acting through its Financial Planning and Audit Committees, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Trust Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the Trust have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to the integrity of the financial reporting process.

Executive Director

kpmg

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St. Andrew's Square II
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AUDITORS' REPORT TO THE TRUSTEES OF THE ISLANDS TRUST

We have audited the consolidated statement of financial position of The Islands Trust as at March 31, 2003 and the consolidated statements of financial activities and fund balances and changes in financial position and the related statements of financial activities and fund balance for the general revenue and capital funds for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 16, 2003

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — STATEMENT A

March 31, 2003, with comparative figures for 2002

	2003	2002
Financial Assets		
Cash and short-term investments (note 2)	$ 1,506,809	$ 1,734,131
Accounts receivable	62,223	63,046
Prepaid expenses	20,656	18,566
	1,589,688	1,815,743
Liabilities		
Wages and benefits payable	619,426	611,564
Accounts payable and accrued liabilities	168,536	164,824
Deferred revenue	9,966	9,985
Employee benefit obligations (note 3)	93,999	113,192
	891,927	899,565
Net financial assets	697,761	916,178
Physical assets (note 4)	775,418	574,306
Total net financial assets and physical assets	$ 1,473,179	$ 1,490,484
Islands Trust Position		
Capital Fund and equity in capital assets (Statement E)	$ 775,418	$ 574,306
General Revenue Fund (Statement D) (note 5)	697,761	916,178
Total Islands Trust position	$ 1,473,179	$ 1,490,484

Commitments (note 6)
Contingent liabilities (note 7)

See accompanying notes to financial statements.

Approved by the Trust Council:

_____ Trustee

_____ Trustee

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES

STATEMENT B

Year ended March 31, 2003, with comparative figures for 2002

	Budget 2003	Actual 2003	Actual 2002
Revenue:			
Property tax - general	*$ 2,901,870*	$ 2,901,871	$ 2,849,969
Property tax levy - Bowen municipality	*88,860*	88,944	77,829
Planning contract - Bowen municipality	*263,845*	244,392	350,671
Provincial grant	*352,000*	352,000	352,000
Community planning grants	-	9,131	5,212
Fees and sales	*100,000*	135,293	126,020
Interest and other	*60,000*	122,278	83,278
	3,766,575	3,853,909	3,844,979
Expenditure (note 8):			
Council services	*962,555*	995,612	773,306
Local services	*2,571,060*	2,722,034	2,690,101
Trust Fund services	*362,960*	354,680	340,325
	3,896,575	4,072,326	3,803,732
Excess (deficiency) of revenue over expenditure	*(130,000)*	(218,417)	41,247
Fund balances, beginning of year	*1,339,387*	1,490,484	1,347,951
Asset acquisitions	*100,600*	220,046	117,311
Asset disposals	-	(18,934)	(16,025)
Fund balances, end of year	*$ 1,309,987*	$ 1,473,179	1,490,484

See accompanying notes to financial statements.

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION — STATEMENT C

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditure	$ (218,417)	$ 41,247
Increase (decrease) in net financial assets other than cash	(8,905)	119,056
Increase (decrease) in cash	(227,322)	160,303
Cash and short-term investments, beginning of year	1,734,131	1,573,828
Cash and short-term investments, end of year	$ 1,506,809	$ 1,734,131

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE **STATEMENT D**
GENERAL REVENUE FUND

Year ended March 31, 2003, with comparative figures for 2002

	Budget 2003	Actual 2003	Actual 2002
Revenue:			
Property tax - general	$ *2,901,870*	$ 2,901,871	$ 2,849,969
Property tax levy - Bowen municipality	*88,860*	88,944	77,829
Planning contract - Bowen municipality	*263,845*	244,392	350,671
Provincial grant	*352,000*	352,000	352,000
Community planning grants	-	9,131	5,212
Fees and sales	*100,000*	135,293	126,020
Interest and other	*60,000*	122,278	83,278
	3,766,575	3,853,909	3,844,979
Expenditure:			
Council services	*937,005*	919,400	749,469
Local services	*2,501,710*	2,589,124	2,607,123
Trust Fund services	*357,260*	343,756	329,829
	3,795,975	3,852,280	3,686,421
Excess (deficiency) of revenue over expenditure	*(29,400)*	1,629	158,558
Net transfers to Capital Fund	*(100,600)*	(220,046)	(117,311)
Change in fund balance	*(130,000)*	(218,417)	41,247
Fund balance, beginning of year	*913,178*	916,178	874,931
Fund balance, end of year (note 5)	$ *783,178*	$ 697,761	$ 916,178

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE — STATEMENT E
CAPITAL FUND

Year ended March 31, 2003, with comparative figures for 2002

	Budget 2003	Actual 2003	Actual 2002
Expenditure:			
Council services	$ *25,550*	$ 76,212	$ 23,837
Local services	*69,350*	132,910	82,978
Trust Fund services	*5,700*	10,924	10,496
	100,600	220,046	117,311
Excess of expenditure	*(100,600)*	(220,046)	(117,311)
Net transfers from General Revenue Fund	*100,600*	220,046	117,311
Change in fund balance	-	-	-
Fund balance, beginning of year	*574,306*	574,306	473,020
Asset acquisitions	*100,600*	220,046	117,311
Asset disposals	-	(18,934)	(16,025)
Fund balance, end of year	$ *674,906*	$ 775,418	$ 574,306

See accompanying notes to financial statements.

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

1. Significant accounting policies:

The financial statements of the Trust are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Trust are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity.

Inter-departmental balances and organizational transactions are eliminated.

(b) Basis of accounting:

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting:

Funds within the financial statements consist of the general revenue and capital fund. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Short-term investments:

Short-term investments are recorded at cost.

(e) Physical assets:

Physical assets, comprised of capital assets and leasehold improvements, are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time they are received. Physical assets are recorded at cost.

The Trust does not reflect amortization of physical assets in the financial statements.

(f) Community planning grants:

Planning grant revenue is recorded on the accrual basis to match the grant revenue against the related expenditures.

1. Significant accounting policies (continued):

(g) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(h) Reserve accounts:

The reserve accounts (note 5) are non-statutory reserves established at the discretion of the Trust Council.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates.

2. Cash and short-term investments:

	2003	2002
Bank account balances	$ 272,080	$ 28,267
Term investments	1,234,729	1,696,000
Cash restricted for pre-retirement leave	-	9,864
	$ 1,506,809	$ 1,734,131

3. Employee benefit obligations:

	2003	2002
Vacation	$ 68,737	$ 75,546
Compensatory time off	25,262	27,782
Pre-retirement leave plan	-	9,864
	$ 93,999	$ 113,192

Employee benefit obligations represent accrued benefits as at March 31, 2003.

4. Physical assets:

	2003	2002
Office furniture, equipment, and computers	$ 670,177	$ 555,484
Denman Island Old School Site	10,000	10,000
Leasehold improvements	95,241	8,822
	$ 775,418	$ 574,306

Denman Island Old School Site:

In 1993/94 the Denman Island Old School Site was sold to the Trust for $10,000, which was donated by the Denman Island RatepayersđAssociation who, in turn, leased the building from the Trust for 99 years for a total fee of $10. The Trust agreed to facilitate the sale of the school between School District #71 and the RatepayersđAssociation and to hold title to the property on behalf of the community.

5. General Revenue Fund:

The General Revenue Fund balance has been appropriated by resolution of Council as follows:

	Beginning balance	Transfers and appropriations	2003 Deficiency of revenue over expenditure	Ending balance
Unappropriated balance:				
Surplus	$ 240,207	96,800	(218,417)	118,590
Appropriated balance reserve accounts:				
Working Capital	182,000	20,000	-	202,000
Operating	72,341	43,200	-	115,541
Capital acquisitions	140,000	(70,000)	-	70,000
Legal expenditures	281,630	(90,000)	-	191,630
	675,971	(96,800)	-	579,171
General Revenue Fund balance	$ 916,178	-	(218,417)	697,761

During the year, the Trust budgeted an amount of $130,000 (2002 - $20,491) as an appropriation of surplus for operations. A further $160,000 (2002 - nil) was approved subsequently for a legal settlement ($90,000) (2002 - nil), and office renovation ($70,000) (2002 - nil).

6. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

	Premises	Equipment
2004	$ 189,822	$ 19,147
2005	180,853	13,260
2006	158,256	12,486
2007	158,256	-
2008	78,128	-

7. Contingent liabilities:

The Trust is defendant in various lawsuits as of March 31, 2003. Included in other liabilities is $10,000 (2002 - $50,000) in respect of legal claims as quantified by the Trust's solicitor. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable.

8. Expenditures by object:

	2003	2002
Salaries and benefits	$ 2,323,139	$ 2,274,338
Travel/training and recruitment	121,802	143,034
Council and trustee costs	437,496	412,519
Office operations	439,319	426,293
Programs	277,099	183,446
Legal and elections	253,425	246,791
Equipment	220,046	117,311
	$ 4,072,326	$ 3,803,732

9. Pension plan:

The employees and employers of the Public Service and Miscellaneous Employers contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer defined benefit pension plan with over 58,000 active plan members and approximately 27,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation, as at March 31, 2002, indicated a $546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. The Islands Trust paid $41,024 for employer contributions to the plan in fiscal 2003.

10. Related parties:

The Trust is related to The Islands Trust Fund (the "Fund") through the composition of the Fund's Board. The Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Aboriginal and Women's Services.

For financial reporting purposes, the Trust and the Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

The Fund's annual program expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. These expenses are summarized as follows:

	2003	2002
Programs	$ 269,142	$ 250,461
Board	12,917	14,566
Administration	72,621	75,298
	$ 354,680	$ 340,325

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Audited Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2003

kpmg

KPMG LLP
Chartered Accountants
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www.kpmg.ca

AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of The Islands Trust Fund as at March 31, 2003 and statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2003 and the results of its operations and the changes in its fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 28, 2003

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2003

The Islands Trust (the "Trust") is incorporated under the Islands Trust Act of British Columbia (as amended in 1989). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

The Islands Trust Fund (the "Trust Fund") is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community, Aboriginal and Women's Services.

For financial reporting purposes, the Trust and the Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balances of the Trust Fund.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Fund accounting:

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The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Fund's capital assets.

The Endowment Fund reports resources that are contributed for endowment purposes.

The Restricted Fund reports the assets, liabilities, revenue and expenditures related to internally and externally restricted assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

(c) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recognized in the Restricted Fund. Interest income of internally restricted funds is recognized as revenue of the Restricted Fund. Other interest income is recognized as revenue of the General Fund when earned.

All other forms of income are recognized as revenue of the General Fund when received or receivable.

(d) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Land:

	Acquisition date	2003	2002
Inner Island Nature Reserve, Denman Island	1992	$ 70,000	$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Kwel Nature Sanctuary, Lasqueti Island	1997	195,497	195,497
Singing Woods Nature Reserve, Bowen Island	1999	157,000	157,000
Trincomali Nature Sanctuary, Galiano Island	2001	242,406	242,406
Horton Bayviary Nature Reserve, Mayne Island	2002	210,000	210,000
Lorettaś Wood Nature Sanctuary, North Pender Island	2003	185,000	-
		$ 2,440,903	$ 2,255,903

3. Unrestricted General Fund balance:

	2003	2002
Unrestricted surplus	$ 18,106	$ 29,786

4. Restricted Fund balances:

	2003	2002
Internally restricted:		
South and West Salt Spring Conservation	$ 1,582	$ 1,553
McFadden property	14,128	13,864
	15,710	15,417
Externally restricted:		
Alton Nature Reserve - earnings on endowment	2,539	1,000
Victoria Real Estate Board Project	15,000	-
	17,539	1,000
	$ 33,249	$ 16,417

5. Restricted for endowment purposes:

	Acquisition date	2003	2002
Alton Nature Reserve - maintenance		$ 88,000	$ 88,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	2,200,000
		2,654,000	2,654,000
		$ 2,742,000	$ 2,742,000

6. Related party:

The Trust is related to the Trust Fund through the composition of the Fund's Board. The Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community, Aboriginal and Women's Services.

The Trust Fund's annual program expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

	2003	2002
Programs	$ 269,142	$ 250,461
Board	12,917	14,566
Administration	72,621	75,298
	$ 354,680	$ 340,325

7. Contingent liability:

Two properties owned by the Trust Fund Board, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve, and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

8. Statement of cash flows:

A statement of cash flows has not been prepared as the cash flows are readily apparent in the accompanying financial statements.

9. Fair value of financial assets:

The carrying value of the Trust Fund's cash and short-term investments approximates their fair value due to the short period to maturity of the instruments.

THE ISLANDS TRUST FUND

Statement of Financial Position

March 31, 2003, with comparative figures for 2002

	General Fund	Restricted Fund	Capital Fund	Endowment Fund	2003 Total	2002 Total
Assets						
Cash	$ 18,106	$ 30,710	$ -	$ -	$ 48,816	$ 134,203
Short-term investment	-	2,539	-	88,000	90,539	-
Land (note 2)	-	-	2,440,903	2,654,000	5,094,903	4,909,903
	$ 18,106	$ 33,249	$ 2,440,903	$ 2,742,000	$ 5,234,258	$ 5,044,106
Fund Balances						
Unrestricted (note 3)	$ 18,106	$ -	$ -	$ -	$ 18,106	$ 29,786
Investment in land (note 2)	-	-	2,440,903	-	2,440,903	2,255,903
Internally restricted (note 4)	-	15,710	-	-	15,710	15,417
Externally restricted (note 4)	-	17,539	-	-	17,539	1,000
Restricted for endowment purposes (note 5)	-	-	-	2,742,000	2,742,000	2,742,000
Contingent liability (note 7)						
	$ 18,106	$ 33,249	$ 2,440,903	$ 2,742,000	$ 5,234,258	$ 5,044,106

See accompanying notes to financial statements.

Approved by the Trust Fund Board:

_____ Board member

_____ Board member

THE ISLANDS TRUST FUND

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2003, with comparative figures for 2002

	General Fund	Restricted Fund	Capital Fund	Endowment Fund	2003 Total	2002 Total
Revenue:						
Donations in cash	$ 5,144	$ 88,115	$ -	$ -	$ 93,259	$ 4,298
Donations of land	-	-	185,000	-	185,000	210,000
Investment income	960	1,832	-	-	2,792	1,694
	6,104	89,947	185,000	-	281,051	215,992
Expenditures:						
Bank charge	-	-	-	-	-	15
Other	17,784	73,115	-	-	90,899	-
	17,784	73,115	-	-	90,899	15
Excess (deficiency) of revenue over expenditures	(11,680)	16,832	185,000	-	190,152	215,977
Endowment contributions	-	-	-	-	-	2,742,000
Fund balances, beginning of year	29,786	16,417	2,255,903	2,742,000	5,044,106	2,086,129
Fund balances, end of year (notes 2, 3, 4 and 5)	$ 18,106	$ 33,249	$ 2,440,903	$ 2,742,000	$ 5,234,258	$ 5,044,106

See accompanying notes to financial statements.